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Sikkema Proposes Budget Solution

Delay Tax Cut for 6 Mos., Use Revenue to Shore Up Higher Ed., Local Aid & Schools

Help Businesses Provide Healthcare to Employees

LANSING – Senate Majority Leader Ken Sikkema today proposed a compromise to solve Michigan’s \$920 million budget deficit that would guarantee an income tax cut in 2004 while giving the state additional revenue to soften funding cuts to higher education, revenue sharing and public schools.

The proposal also includes an incentive for small businesses to provide greater healthcare benefits to their employees.

“This proposal allows us to close Michigan’s current budget while lessening the blow to essential services and protecting an income tax cut promised to citizens four years ago,” said Sikkema, R-Wyoming. “This is a fair compromise and one that is in the best interest of the people of Michigan.”

Sikkema made his proposal Monday morning during budget negotiations with the House of Representatives and Governor Granholm’s administration.

The capstone of Sikkema’s compromise is a six-month pause in the scheduled 0.1 percent income tax cut scheduled to take affect on January 1, 2004. Sikkema’s proposed pause would generate \$77 million in revenue which would then be distributed equally between higher

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education, revenue sharing to local communities, and the school aid fund for public school districts. Governor Jennifer M. Granholm earlier proposed halting the income tax cut and using the revenue solely for K-12 education.

Sikkema said his proposal – when added to other savings and revenue adjustment – reduces the per-pupil cut to schools to less than \$100, down from the \$196 per-student reduction facing school districts under Granholm’s original proposal.

The majority leader’s proposal also would make it easier for small businesses to provide quality healthcare benefits to their employees by phasing out the onerous Single Business Tax on healthcare benefits. This modest proposal, costing only \$15 million in the first year, would allow businesses to invest the savings on employees and jobs, a critical necessity to growing Michigan’s sluggish economy.

“We need to agree on how to balance Michigan’s budget now so everyone can return their attention to growing Michigan’s economy and creating an environment where businesses can thrive,” Sikkema said. “This compromise more than meets the governor halfway. It gives us revenue to soften cuts to essential programs and it allows lawmakers to keep their word on lowering Michigan’s income tax rate to 3.9 percent in 2004.”

Sikkema said the Michigan Senate could take up his proposal tomorrow in committee and Wednesday on the Senate floor for final passage.